PUBLIC DISCLOSURE

March 23, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American Union Savings and Loan Association, S.B.
30713

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Chicago, Illinois 60622

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Division of Supervision and Consumer Protection
Chicago Regional Office
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Chicago, Illinois 60661

NOTE: **This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of ***American Union Savings and Loan Association, S.B., Chicago, Illinois*** *prepared by the* ***Federal Deposit Insurance Corporation****, the institution's supervisory agency, as of* ***March 23, 2009****. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated: ***Substantial Noncompliance.***

An institution in this group has a substantially deficient record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

American Union Savings volume of lending is inadequate given the lending opportunities that exist in the bank's assessment area and the capacity of the institution to lend. The bank only originated one home mortgage loan from December 12, 2006 through February 28, 2009. The bank's home mortgage lending was considered for this evaluation as this product represents the institution's sole business focus. The bank's share lending was not considered as this product does not represent a business focus of the institution and is offered on an accommodation basis only. The bank's less than satisfactory volume of home mortgage lending significantly hampers the performance factors detailed below.

The following summarizes the bank's performance.

- The bank's average loan-to-deposit ratio of 26 percent is unreasonable given the institution's size, financial condition, and assessment area credit needs. This average is based on a 27-month evaluation period of December 12, 2006 through February 28, 2009. The bank's loan-to-deposit ratio was at 24 percent and 28 percent, for year(s) ending 2007 and 2008, respectively. The loan-to-deposit ratio is currently at an all time high of 28 percent compared to a low of 24 percent during the 8 quarters since the institution converted to a state savings bank. This increase is largely attributed to a declining deposit customer base and stagnant loan growth. Overall, the bank's loan-to-deposit ratio is considered unreasonable and indicative of the unsatisfactory level of lending activity.

- A substantial majority of the bank's loans were inside the designated assessment area. The bank's performance was steady under this criterion with 100 percent in the assessment area in both 2007 and 2008. However, collectively the bank only originated one home mortgage loan during the evaluation period. Further, this criterion is not heavily weighted in the bank's overall rating given the low level of home mortgage lending.

- Overall, the distribution of loans by borrower income reflects very poor penetration among low- and moderate-income individuals, relative to the opportunities to lend. The bank made no home mortgage loans to low- or moderate-income borrowers during the 27-month evaluation period. In contrast, the bank originated 7 (or 64 percent by number) of such loans to borrowers in these same income segments during the previous 49-month evaluation period.

- Overall, the geographic distribution of the bank's lending reflects very poor dispersion throughout the assessment area given the overall lending activity. The volume of low- and moderate-income census tracts in the designated assessment area is 17 percent and 30 percent, respectively. The institution made no home mortgage loans in these tract segments during the evaluation period. The bank's performance was also better during the prior evaluation as the bank originated 9 (or 82 percent by number) of its home mortgage loans in low- and moderate-income tracts.

- The institution has not received any complaints about its performance in meeting assessment area credit needs.

DESCRIPTION OF INSTITUTION

American Union Savings and Loan Association, S.B. (American Union Savings) is a $7 million mutual institution with its sole office located just east of Humboldt Park, in a low- and moderate-income neighborhood situated approximately 4 miles northwest of the Loop in Chicago, Illinois. The institution converted from a Federal Savings and Loan charter to a State of Illinois Savings Bank as of December 12, 2006. No branches have been opened or closed since the charter conversion or the prior CRA evaluation conducted by the institution's former regulator, the Office of Thrift Supervision (OTS), as of February 23, 2004.

According to the institution's December 31, 2008, Consolidated Report of Condition and Income, the institution reported total assets of approximately $7.2 million, total loans of $1.8 million, total deposits of $6.3 million, and total investments of $3.6 million. The investment portfolio represented 49 percent of total assets, and the net loan-to-assets and net loan-to-deposits ratios were 25 percent and 28 percent, respectively. Total assets decreased by approximately $1.2 million, or 14 percent, since the last CRA evaluation. The decrease in total assets is primarily attributed to the bank's stagnant deposit base with nominal new account activity and competitive banking environment. Total loans outstanding declined by approximately $65 thousand (or 3 percent) during the evaluation period and is mainly attributed to home mortgage loan payoffs and virtually non-existent new loan originations.

The institution is historically a home mortgage lender that also offers a few consumer products and services. The mortgage products offered are limited to first mortgages and exclusive to longer-term (30- and 40-year) fixed rate products. The bank does not offer FHA, VA, private mortgage insurance (PMI), construction or home equity loan products. Consumer credit products are limited to share loans secured by deposit accounts. Commercial real estate (CRE) loans are not offered. Bank management indicated that the bank does not have the necessary resources and expertise to offer a larger variety of credit products. The limited credit products offered, particularly home mortgages, indicates the challenges the bank may face in capturing loan originations within the community it is expected to serve.

Deposit products are limited to passbook savings and certificate of deposit accounts. The institution also offers its customers money order, coin counting, free check cashing and notary public services. However, traditional checking accounts, debit cards and alternative banking methods, such as telephone and electronic banking services are not offered. Hours of operation are convenient and includes Saturdays and extended hours on certain weekdays. The bank is closed on Wednesdays. The bank does not have a drive-up window or an Automated Teller Machine (ATM).

As depicted in Table A below, the bank's largest concentration of loans is in residential real estate lending, which represents 96 percent of the bank's loan portfolio followed by consumer loans at 4 percent, as of December 31, 2008. For purposes of this evaluation, home mortgage loans include home purchase, refinance, and home improvement loans. Refer to Table A below for a full analysis of the bank's loan portfolio.

Table A – Loan Distribution as of 12/31/2008

Loan Type	***Dollar Amount (000s)***	***Percent of Total Loans***
Construction and Land Development	$0	0%
Secured by Farmland	$0	0%
1-4 Family Residential	$1,733	96%
Multifamily (5 or more) Residential	$0	0%
Commercial	$0	0%
Total Real Estate Loans	***$1,733***	***96%***
Commercial and Industrial	$0	0%
Agricultural	$0	0%
Consumer	$73	4%
Other	$0	0%
Less: Unearned Income	$0	0%
Total Loans	***$1,806***	***100%***

Source: Report of Condition as of December 31, 2008

American Union's volume of lending has significantly declined since the prior CRA evaluation conducted by the OTS, particularly in its sole business line of home mortgage loans. Furthermore, the bank's residential lending activity has been virtually non-existent since the charter conversion, effective December 12, 2006. The institution originated 13 home mortgage loans over a 49-month review period at the previous evaluation compared to only one mortgage loan origination during this current evaluation period of 27 months. Additionally, the bank originated 99 share loans totaling $258,000 during the previous evaluation period compared to a total of 34 share loans totaling $58,500 during this evaluation period. The previous CRA evaluation conducted by the OTS also considered the bank's investment in CRA qualified Mortgage Backed Securities (MBS) collateralized by loans to low- and moderate-income borrowers. For the current evaluation, the bank did not provide any information regarding loan purchases or participations that may potentially qualify for CRA credit under the small bank lending test.

As of this CRA evaluation, senior management has not established an adequate plan to address the declining loan volume or attract new business to the bank. The bank's customer base primarily consists of repeat borrowers and referrals from those same individuals. The bank's marketing plan includes weekly general print advertisements of the bank's presence in a local church bulletin, general signage in the bank lobby indicating home mortgage loans are available, a newer 40-year mortgage loan product offered to first time homebuyers and distribution of mortgage loan rate sheets to a few local real estate agents in the area. During the evaluation period, the bank did not actively promote its savings, time deposit accounts or fixed rate mortgage products in any local community newspapers or through other mediums. Although, the bank has established a marketing plan and name recognition campaign, the minimal outreach beyond its existing customer base, nominal loan volume and inadequate loan production plan all contribute to a less than satisfactory CRA evaluation rating.

No legal or financial impediments exist which would prohibit the bank from helping to meet the credit needs of the community. However, the institution does operate in a very competitive environment. According to the FDIC's Summary of Deposit data, there were a total of 134 banks and savings institutions operating 1,643 offices within the county represented in the bank's assessment area as of December 31, 2008. Based on area served and product focus, three savings banks were identified for comparison purposes. Additionally, given the bank's smaller asset size, four other savings banks were also identified nationwide based on size and product focus. All but one of these financial institutions displayed higher lending volumes than American Union Savings.

DESCRIPTION OF ASSESSMENT AREA

American Union Savings' designated assessment area is composed of 1,343 census tracts located in Cook County and within the Chicago-Naperville-Joliet, IL Metropolitan Division, #16974 ("Chicago MD") . The assessment area conforms to the technical requirements of the regulation and does not arbitrarily exclude low- and moderate-income areas.

Unless otherwise noted, all demographic data in the evaluation is based on the 2000 United States Census information. Borrower classifications are based on the Department of Housing and Urban Development's (HUD) Median Family Income (MFI) for 2007. The borrower classifications for the MFI of the prior year of 2006 was also considered, however, the changes from year-to-year were extremely nominal and therefore, not presented in the evaluation. The institution's assessment area consists of 232 (17 percent) low-income census tracts; 399 (30 percent) moderate-income tracts; 434 (32 percent) middle-income census tracts; 262 (20 percent) upper-income census tracts; and 16 (1 percent) are NA census tracts. NA census tracts are those that do not have an income designation due to the nominal populations in those areas.

The total population of the assessment area includes 5,376,741 individuals and 1,974,408 households, of which 1,278,745 are families. Based on this same information, 25 percent of the families residing in the assessment area are considered low-income and 19 percent moderate-income, while middle- and upper-income family populations are 21 percent and 35 percent, respectively. Additionally, families living below the poverty level represent 11 percent of the total families within the assessment area.

The median family income (MFI) of the assessment area is $58,175, which is approximately 9 percent below the Chicago MD MFI of $63,281, and 5 percent above the State of Illinois MFI of $55,545. In addition, the median housing value for the assessment area is $177,999, which is slightly lower than that of the Chicago MD value of $179,522 but 39 percent greater than that of the State of Illinois value of $127,800, which indicates that purchasing a home in this area may be challenging for low- and moderate-income applicants.

Housing

The assessment area consists mainly of one-to-four family housing structures (68 percent), with 32 percent consisting of multi-family (five or more unit) dwellings. The median age of the homes in the assessment area is 44 years, which is older than both the Chicago MD and State of Illinois averages of 39 years and 38 years, respectively. The assessment area is characterized by lower owner-occupancy levels (55 percent) relative to the MD (60 percent) and State (63 percent) figures. The level of rental housing (40 percent) located within the assessment area is higher than the levels for the Chicago MD (35 percent) and the State (31 percent) figures. Hence, owner occupancy levels are considerably lower in the low- and moderate-income census tracts at 4 percent and 20 percent, respectively, compared to the middle- and upper-income census tracts levels of 46 percent and 28 percent, respectively.

The housing affordability ratio in the assessment area is 33 percent, which is slightly lower than the Chicago MD ratio at 35 percent but significantly trails the State of Illinois figure at 43 percent. The affordability ratio is calculated by dividing the median family income by the median housing value. The reduced affordability of housing in the assessment area, coupled with financial limitations reflects the difficulties applicants may face in seeking homeownership.

Overall, home lending opportunities, particularly in the low- and moderate-income census tracts within the bank's assessment area are negatively impacted by the resident's limited capacities to borrow and higher home prices. Likewise, the ability for low- and moderate-income families to obtain affordable housing in middle- and upper-income areas is adversely affected by higher home prices and higher median rents.

Information obtained during recent community contacts revealed that there is a substantial need for affordable housing and financial literacy programs, particularly regarding foreclosures and borrower retention initiatives. Additionally, multi-family housing loans, low down payment mortgage loan programs and credit products for first-time homebuyers with more flexible underwriting criteria were also cited as needs in the assessment area.

Community contacts also indicated that advertising, sponsorship of business networking events, attendance at local associations, and participation on committees in local organizations can help improve a bank's visibility in the community. Additionally, neighborhood event participation by financial institutions tends to attract loan and deposit accounts from local residents. The immediate market area of the bank consists of a "blue collar" working class community which consists primarily of low- and moderate-income residents. Banks also have the opportunity to contribute in specified area loan participations and partner with local area housing associations that can help to address the community credit needs of existing and new homebuyers, and of low- and moderate-income individuals and neighborhoods.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The evaluation of American Union Savings' performance is based upon a review of the institution's home mortgage lending. Home mortgage lending was selected as it comprises the largest portion of the bank's portfolio at 96 percent and represents the institution's sole business focus. Small farm and small business loans were not evaluated, as the bank does not engage in these types of financing.

This evaluation is based on the total universe of home mortgage loans originated by the institution since the charter conversion date of December 12, 2006 through February 28, 2009. Specifically, the institution originated one home mortgage loan totaling $240,000 during the 27-month evaluation period. The bank is exempt from the reporting requirements of the Home Mortgage Disclosure Act (HMDA) as its asset size is below the reporting threshold. Accordingly, the lending analysis was based on loan file data supplied by the institution.

Refer to Table B below for a breakdown by year of home mortgage loans originated during the evaluation period.

Table B – Universe Of Loans Originated by Year				
	Real Estate Loans			
Year	***#***	***$***		
2006	0	$0		
2007	0	$0		
2008	1	$240,000		
2009	0	$0		
Total	***1***	***$240,000***		

Source: Bank Records (12/12/2006-02/28/2009)

As previously mentioned, the bank's level of lending has significantly declined and is virtually non-existent. This lending activity is well below what is expected of an established institution that opened for business in 1925. As of the prior OTS CRA Evaluation conducted February 23, 2004, the institution had $8.3 million in assets through December 31, 2003. During that evaluation, the bank was also considered a home mortgage lender and originated 13 home mortgage loans totaling $1.6 million during a 49-month evaluation period and received a satisfactory rating. For the current evaluation, the institution reported $7.1 million in assets as of December 31, 2008 and continues as a home mortgage lender but the volume significantly declined as the bank only originated one loan during the current evaluation period.

For comparative analysis purposes, three similarly situated savings banks were identified in the Chicagoland area based on the area served and product offerings. While these institutions were larger in size with asset sizes ranging from $24 to $41 million; all displayed higher levels of lending than American Union Savings. Specifically, the volume of home mortgage loans originated by the comparable banks ranged from 27 to 84 loan originations based on a 30 to 59 month timeframe. For further comparison, four other banks were identified nationwide based on asset size and product focus. These institutions ranged from $5.7 million to $12 million in assets and all but one displayed significantly higher levels of lending than American Union Savings with an average of 40 loan originations during a 24-month timeframe.

American Union Savings Bank also faces a number of challenges within the immediate market area in which it operates its sole office. The bank is located in the Humboldt Park neighborhood in a low-income census tract. The twelve immediate census tracts surrounding the bank's office primarily consists of low- and moderate-income tract segments and higher concentrations of low- and moderate-income families at 47 and 18 percent, respectively, than the overall assessment area. Approximately 23 percent of the families in these census tracts reported incomes below the poverty level. Further, the unemployment rate in this area at 11 percent is slightly higher than the designated assessment area of Cook County figure of 8 percent.

In addition, the median housing value for homes in this immediate market area is $218,382, which is significantly higher than that of the bank's assessment area value of $179,522. As such, the housing affordability for local area residents is only 15 percent and also trails the Cook County figure of 33 percent, which indicates that purchasing a home in this area may be challenging for low- and moderate-income applicants. Consistent with the low affordability factor, these tract segments also reflect significantly higher levels of occupied rental units (69 percent) when compared to the Cook County (40 percent) figure. This data indicates that home lending opportunities in the immediate area surrounding the bank's sole office are negatively impacted by the residents' limited capacities to borrow, lower owner-occupancy levels and higher home prices. Likewise, the ability for low- and moderate-income families located in middle- and upper-income census tracts to obtain affordable housing is adversely affected by higher home prices.

The aforementioned factors, including an analysis of the trends in the real estate market were considered in the overall conclusion of the assigned rating. However, based on the results of the evaluation, senior management did not implement a reasonable plan to address the low level of lending in its major product line. The regulation requires financial institutions to meet the credit needs of its assessment area including low- and moderate-income individuals and neighborhoods in a manner consistent with its resources, capabilities, and available opportunities.

As mentioned previously, community contacts revealed that there are numerous credit needs and opportunities in the bank's immediate market area. Such opportunities include affordable housing, financial literacy, borrower foreclosure prevention, first-time homebuyer programs, loan participation outreach and credit products with more flexible underwriting criteria. Additionally, several contacts indicated that marketing, advertising, and outreach efforts of local bank competitors tend to attract and retain the business of residents.

The bank has no financial constraints that limit its ability to help meet the credit needs of the community. The bank has a conservative lending philosophy that only offers longer term fixed rate home mortgages and limits loan-to-value to 75 percent on its mortgage loans. The bank also offers shorter term consumer share loans that are secured by the customer's deposit account. While the institution has a limited product line, American Union Savings does offer a special credit program for first time homebuyers that allows for up to 40-year terms, lower down payment requirements and a waiver of fees. However, during the evaluation period the bank did not actively promote this loan program in the community. As noted by the community contacts, this type of lending initiative is needed in the assessment area and is considered responsive to the needs of the residents. However, the bank's virtually non-existent volume of home mortgage lending and ineffective marketing plan hampers the weight given to the aforementioned credit initiative.

The comparative demographic information contained in this evaluation is derived from the 2000 Census data and is utilized as a comparison tool in evaluating the bank's home mortgage lending performance for the corresponding years of the evaluation period. All aggregate home mortgage data cited in this evaluation is derived from all credit reported by HMDA applicable lenders for these same years. Generally, the market data includes all banks, thrifts, and other mortgage originators that meet certain size and production thresholds. Although, the bank is not subject to the HMDA reporting requirements, the aggregate data is an accurate comparison to the bank's lending activities and is used solely as a reference tool.

The following performance criteria were analyzed based upon qualified lending that occurred during the evaluation period. Because the level of lending is inadequate, the weight given to these criteria in assessing the bank's overall performance is minimal.

Loan-to-Deposit Ratio

Overall, the bank's loan-to-deposit ratio is unreasonable in consideration of the institution's asset size, financial condition, and the assessment area's credit needs. As of December 31, 2008, the average loan-to-deposit ratio, based on 8 quarters of data since the charter conversion, effective December 12, 2006, was 26 percent. The bank's loan-to-deposit ratio increased from a low of 24 percent to the current high of 28 percent as of December 31, 2008. The increase is largely attributed to a declining deposit account customer base and seasoned loan portfolio with minimal new loan generation.

Based on areas served and products offered, three local savings banks were also utilized for comparison purposes to determine if other savings institutions were attracting residential mortgage business. While somewhat larger in asset size; all but one of these banks displayed relatively higher levels of lending with loan-to- deposit ratios of 39 percent to 84 percent. Additionally, based on asset size and products offered, four other banks located nationwide were also utilized for comparison purposes. All demonstrated significantly higher levels of lending with loan-to-deposit ratios of 73 percent to 93 percent.

As previously mentioned, affordable housing, homeownership counseling, loan participation initiatives, low downpayment and more flexible underwriting programs were cited as credit needs in the community. The aforementioned factors further support the conclusion that lending opportunities are available and the bank's low level of originations is considered inadequate.

Lending in the Assessment Area

Collectively, a substantial majority of the bank's loans were originated within the assessment area. However, the weight provided to the share loan performance and this criterion is minimal based on the virtually non-existent level of home mortgage lending.

The bank's total volume of lending reflects a significant decline since the prior CRA evaluation conducted by the OTS as of February 2004. At that evaluation, the bank originated 13 home mortgage loans totaling $1.6 million and 99 share loans totaling $258,000 during the 50-month evaluation period. For the current evaluation, the bank only originated one home mortgage loan totaling $240,000 and 34 consumer share loans totaling $58,500, since the charter conversion and during the 27-month evaluation period.

Management attributes the higher loan volume and penetration rates during the previous evaluation period to a stronger real estate market and lower interest rates. However, the bank's lending volume was non-existent in 2007 even when operating in a favorable real estate market and interest rate environment. The bank managed to attract its sole mortgage loan in mid-2008 as the industry reflected signs of a deterioration in the mortgage industry, including an increase in foreclosures. Senior management also attributes the bank's loss of business to large bank competitors, mortgage brokers, and limited resources and product offerings. Although, management recognized these lending obstacles, the bank did not establish a workable CRA plan to address the stagnant loan volume.

As noted above, the bank achieved a substantial majority level of lending in the assessment area throughout the evaluation period. The bank originated 100 percent of its home mortgage and share loans in the assessment area. However, the sole emphasis is placed on the bank's low level of home mortgage loan originations and supports the conclusion of the substantial noncompliance rating assigned for this evaluation. Overall, the bank's performance is considered very poor.

Borrower Profile

American Union Savings' distribution of home mortgage loans reflects a very poor penetration among individuals of different income levels. This conclusion is drawn based on the fact that the bank did not originate any home mortgage loans to low-income or moderate-income borrowers, relative to the percentage of families residing in low- and moderate-income census tracts in the bank's assessment area. The overall weight provided to this criterion is also minimal based on the bank's low level of home mortgage lending.

The bank's sole home mortgage loan was originated to a middle-income borrower. As such, the bank did not originate any loans to low-income or moderate-income borrowers during the evaluation period. Based on the demographic comparative factors, 25 percent and 19 percent of the families residing in the assessment area are considered low-income and moderate-income, respectively. Although, the bank is not subject to the HMDA reporting requirements, the aggregate market data was also used as a comparison tool. The aggregate market data indicated that 5 percent and 19 percent of the mortgage loans were granted to low-income and moderate-income borrowers, respectively. The aforementioned data indicates that opportunities to lend to low-income and moderate-income borrowers are not plentiful, but do exist. Again, the bank originated no loans to individuals of low- and moderate income during the evaluation period.

According to the demographic comparative factor, 19 percent of the families residing in the assessment area are considered moderate-income families, which indicate there is a potential to lend in this income segment. In contrast, 25 percent of families in the area are considered low-income which may limit an institution's ability to extend credit to this income sector. Based on the aggregate market lending data, opportunities also exist in the moderate-income family sector but continue to be limited in the low-income segment. Nonetheless, the bank's lending to low- and moderate-income borrowers is non-existent and is considered very poor.

While the bank's performance is not comparable to the demographic and aggregate market data, it is typically difficult for families in the low-income segments to possess the financial resources to support home mortgage purchases. Further, this performance is weighed against the number of families living below the poverty level that represent 11 percent of families residing in the assessment area, and 23 percent in the immediate area around the bank's sole office. The bank also faces obstacles that include a limited home mortgage product line, and a small staff to attract these applicants and generate business. While the aforementioned factors reflect the challenges that American Union Savings Bank faces, overall, the bank's non-existent level of lending to low- and moderate-income borrowers is again considered very poor, significantly affects this criteria, and further supports the assigned CRA rating.

Geographic Distribution of Lending

Overall, the geographic distribution also reflects a very poor dispersion throughout the assessment area, particularly, given the almost non-existent volume of home mortgage lending and the demographic conditions of the assessment area. An institution's geographic distribution of lending is a reflection of how well it is serving all geographic areas of its assessment area, particularly, in low- and moderate-income census tracts.

The geographic distribution of home mortgage loans reflects very poor dispersion throughout the assessment area. As previously noted, the bank only originated one home mortgage loan totaling $240,000 during the 27-month evaluation period. This sole loan was the result of a referral from an existing bank customer and was extended in a middle-income census tract located approximately 13 miles from the bank's office. As such, American Union Savings did not originate any loans in low- or moderate-income census tracts during the evaluation period.

The bank's home mortgage lending patterns is not comparable to the demographic or aggregate market data comparative factors. The demographic data showed that the percentage of owner occupied units located within the assessment area in low- and moderate-income census tracts is at 4 percent and 21 percent, respectively. This data indicates that opportunities to lend in moderate-income tracts exist but are limited in low-income areas. The aggregate data was also used as a reference tool as it reflects a more accurate comparison to the bank's lending activities. This data indicates that slightly higher lending opportunities exist as lenders extended 7 percent of its home mortgage loans in low-income tracts and 24 percent in moderate-income tracts. American Union Savings faces a number challenges in extending credit in the community in which it operates and is expected to serve. The institution is a small home mortgage lender with limited product offerings, operating in a competitive, densely populated area which is served by a variety of institutions, including those that are larger in size. The bank also operates in an area that contains approximately 12 low- and moderate-income census tracts located within 3 miles of the bank's sole office. This immediate area also maintains higher concentrations of low- and moderate-income families at 47 and 18 percent, respectively, than the overall designated assessment area of Cook County. Further, 23 percent of these families live below the poverty level. The unemployment rate in this area at 11 percent is also slightly higher than the Cook County figure of 8 percent.

Other obstacles faced by the bank include higher home values coupled with lower housing affordability, which indicates that purchasing a home in this area may be challenging for low- and moderate-income applicants. Consistent with the low affordability factor in this immediate area, these tract segments also reflect significantly higher levels of occupied rental units (69 percent) when compared to the Cook County (40 percent) figure.

The aforementioned data suggests that lending opportunities do exist, particularly, in moderate-income areas and for families residing within close proximity to the bank. The bank's failure to address the virtually non-existent level of home mortgage lending through the establishment of an effective CRA and marketing plan reflects adversely on the institution. Therefore, the bank's penetration among individuals of different income levels is considered very poor.

Response to Complaints

The bank has not received any complaints since the conversion date or its prior CRA evaluation conducted by the OTS, as of February 23, 2004.

Compliance with Anti-discrimination Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the evaluation.

APPENDIX A – GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units**.**

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small business loan: A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small farm loan: A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.